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NATIONAL INTELLIGENCE DAILY CABLE

Friday July 30, 1976 CI NIDC 76-178C

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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Friday, July 30 1976.



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The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

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[Redacted] Damascus Raido announced last night that Syrian Foreign Minister Khaddam and Palestine Liberation Organization representative Qaddumi had signed the Syrian-Palestinian accord, but PLO chairman Yasir Arafat, according to an Egyptian news service, said that he had not yet approved the document.

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[Redacted] The accord, according to Damascus Radio, calls for a cease-fire within 10 days, adherence to the Cairo agreement regulating Palestinian activities in Lebanon, and the opening of roundtable negotiations among the Lebanese under president-elect Sarkis.

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[Redacted] The provision for restricting Palestinian activity in Lebanon presumably is one of the main bones of contention between Arafat and the Syrians. [Redacted]

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[Redacted] Qaddumi was supposed to have obtained Arafat's final approval for an accord with the Syrians, and Libyan Prime Minister Jallud said on Wednesday that he hoped Arafat himself would go to Damascus to sign the agreement.

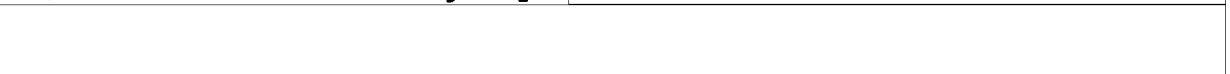
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[Redacted] //The agreement, as announced, contains no provision for Syrian withdrawal from Lebanon but the Syrians may have promised Qaddumi that they would withdraw from Sawfar on the Beirut Damascus highway. [Redacted]

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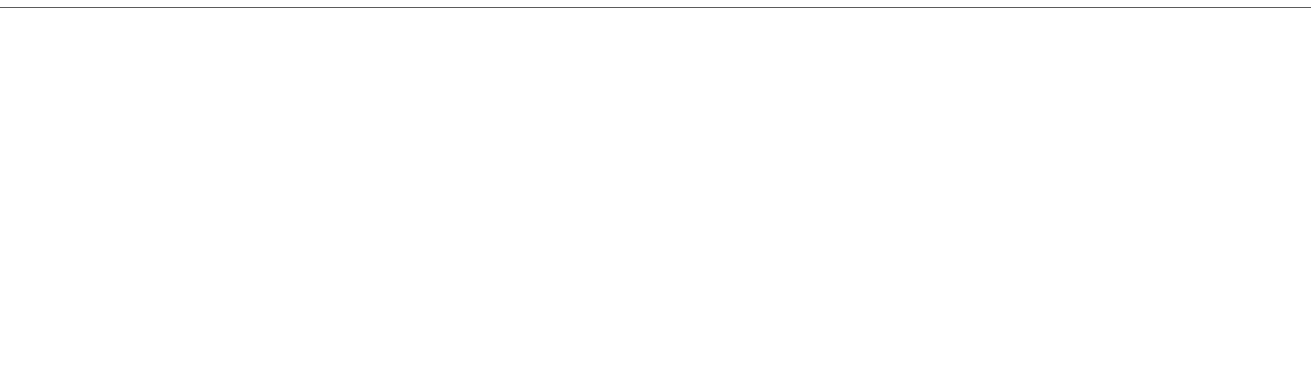
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[Redacted] Although Syria has several times before promised to withdraw from Sawfar and failed to follow through, Damascus now might calculate that Christian forces advancing from the north could effectively control the area.

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[Redacted]

25X1 [Redacted] In Beirut, Christian forces renewed attacks on the Shia Muslim district of Nabaa early yesterday after a lull of several days. //Presumably to relieve pressure on Nabaa, leftist and Palestinian forces launched an attack into the Christian district of Ayn Rummanah. [Redacted] 25X1

25X1 [Redacted] [Redacted] 25X1

[Redacted]

25X1 [Redacted] The scheduled Red Cross evacuation of wounded from Tall Zatar was postponed yesterday because Shamunist forces refused to guarantee a cease-fire. //Syria, however, has reportedly urged that the evacuation be allowed to proceed, and the Syrian pressure has apparently induced Interior Minister Shamun to relent. [Redacted] 25X1

25X1 [Redacted] [Redacted] 25X1

25X1 [Redacted] Shamun announced yesterday that he had agreed to the evacuation and would arrange the details in a series of meetings today. [Redacted] 25X1

JAPAN: Lockheed

25X1 [Redacted] Secretary general of the ruling Liberal Democratic Party, Yasuhiro Nakasone, may be the next major political figure to be implicated in the Lockheed affair. 25X1

25X1 [Redacted] Nakasone has been linked to the scandal since it first erupted in February, partly because he occupied a key position in the government of former prime minister Tanaka. A major Japanese daily newspaper reported yesterday that Nakasone's name was listed in the Lockheed-related data given by the US to Japanese prosecutors. 25X1

25X1 [Redacted] Nakasone's involvement would present Prime Minister Miki with a potentially far more serious problem than Tanaka's arrest. Nakasone is Miki's single major political ally and was appointed to his party post by Miki. If Nakasone is not named

[Redacted]

[Redacted]

by the prosecutors, suspicion will build that a cover up is under way. Nakasone's arrest, on the other hand, would generate strong--perhaps overwhelming--pressures for Miki's resignation.

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[Redacted] //Despite Japanese press speculation to the contrary, Miki has not committed himself on whether he would resign if one of his party officers or cabinet members were implicated. He is publicly building a case for remaining in office by closely associating himself with the need for thorough party reform--a theme now being echoed throughout the Japanese political establishment.

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[Redacted] The outcome of the investigation could substantially alter these calculations, and at this point, a potentially explosive clash between Miki and his opponents is in the making.

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[Redacted]

KENYA-UGANDA: Relations

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[Redacted] //Despite a flurry of mediation efforts, there has been little change in the Kenya-Uganda dispute since earlier in the week.

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[Redacted]

[Redacted]

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[Redacted]

[Redacted]

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[Redacted] //The concession on kerosene and Foreign Minister Waiyaki's stout public defense of Kenya's position this week reportedly were aimed at forestalling criticism of Nairobi by other Africans, especially after Amin's call for an OAU investigation of the dispute.//

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[Redacted] OAU Secretary General Eteki held discussions with Kenyatta and other Kenyan officials yesterday and he may be going on to Kampala. The Mauritian Foreign Minister is also attempting to mediate, apparently under the auspices of Mauritian Prime Minister Ramgoolam, the current OAU chairman.

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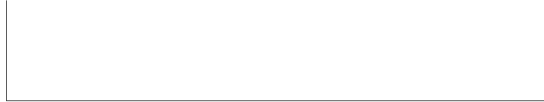
[Redacted] Amin so far appears not to have taken any major retaliatory steps against the 200-300 remaining Britons in Uganda following London's diplomatic break this week. The Ugandan leader has said, however, that he is no longer obliged to compensate several thousand British Asians who lost property when he expelled them from Uganda in 1972.

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[Redacted]

[Redacted]

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CUBA: US Trade

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[redacted] A substantial share of Cuba's trade with non-Communist countries has gone to US subsidiaries since the partial lifting of the US embargo in August 1975.

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[redacted] In the past 10 months, Cuba has awarded foreign subsidiaries of US companies sales contracts totaling \$293 million--the equivalent of one fifth of Cuba's estimated non-Communist imports in 1975. About 60 percent of the sales have involved agricultural commodities.

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[redacted] Some 85 percent of the business went to US subsidiaries located in countries such as Canada and Argentina that are already among Cuba's larger trading partners. Purchases from Cuba by US subsidiaries thus far have been limited to about \$2-million worth of tobacco and molasses. [redacted]

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ITALY: New Cabinet

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[redacted] Italian prime minister - designate Andreotti's Christian Democratic minority government that he submitted to President Leone yesterday contains several new faces and some technocrats, suggesting an attempt to create a fresh image for his party.

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[redacted] In a departure from tradition, there are no former prime ministers in the cabinet with the exception of Andreotti.

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[redacted] The most conspicuous absentees are outgoing prime minister Moro and former prime ministers Rumor and Colombo, who held the foreign affairs and treasury portfolios in the previous government. The exclusion of Colombo seems designed to appeal to the Socialists and Communists, who blame him for many of Italy's economic problems.

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[redacted] Among the key assignments are:

--Foreign affairs to outgoing defense minister Forlani.

--Defense to Vito Lattanzio, who has served as defense undersecretary in several previous governments.

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--Treasury to Gaetano Stammati, an independent banker who was finance minister in the last government.

--Finance to Filippo Pandolfi, who moves up from being deputy minister.



--Foreign trade to Rinaldo Ossola, who recently announced his resignation as director of the Bank of Italy.

--Labor to Tina Anselmi--Italy's first woman cabinet minister--who has been active in the Italian women's movement and in Christian Democratic labor and youth affairs.

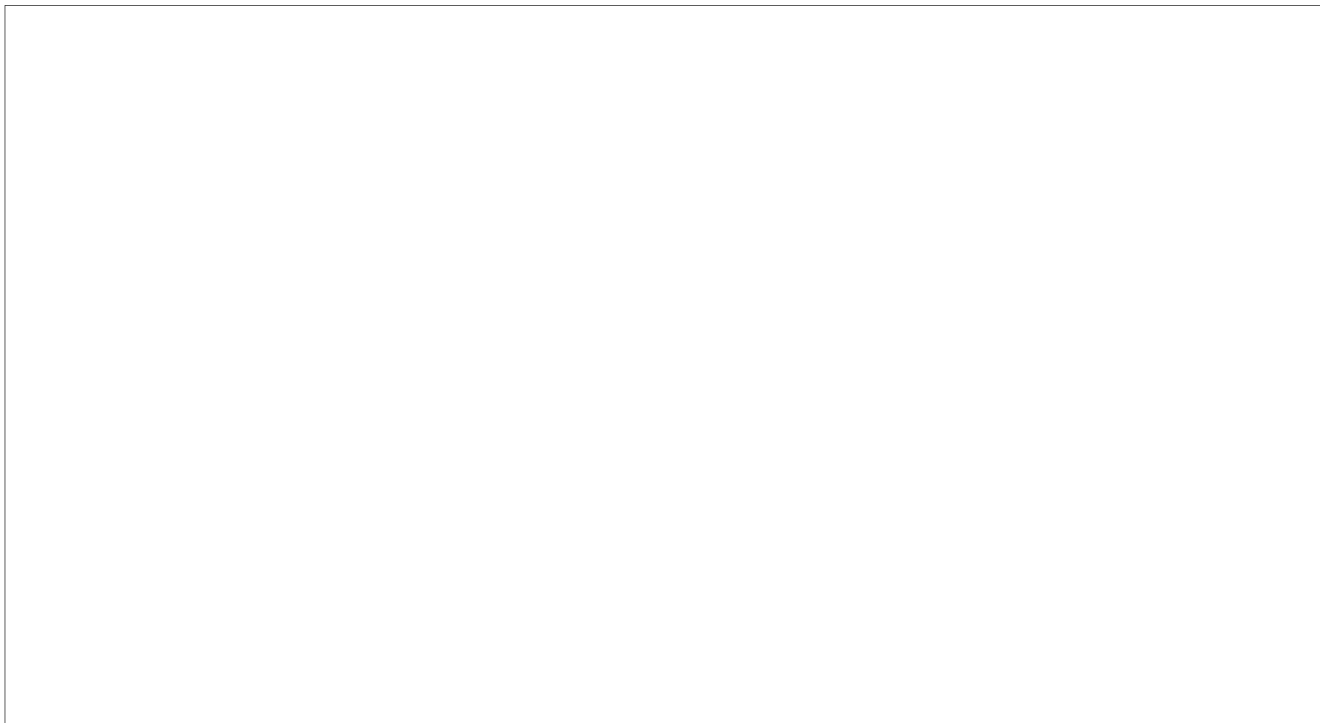
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 President Leone will swear in Andreotti's government today and it will face its first confidence vote next Wednesday in the Senate. The confidence vote in the Chamber of Deputies will be held the following week.

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 The government will need abstention by the Communists to survive the confidence vote. Although they are expected to abstain, party leaders said yesterday that they would not announce an official decision until Andreotti presents his program prior to the confidence votes. 


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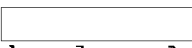



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THAILAND: Phichai's Trip

25X1  Thai Foreign Minister Phichai hopes to normalize relations with Laos and Vietnam during his visits to the two countries beginning this weekend.

25X1  Phichai wants to end the mutual recrimination and border clashes between Thailand and Laos that followed the communist take-over in Laos last year. Bangkok's closure of the border, except for one entry point, has severely strained the Laotian economy. The Lao view the border closure as the major obstacle to better relations.

25X1  Bangkok is concerned about Laotian support to Thai insurgents and is reluctant to drop all restrictions on the movement of goods and people across the border. Phichai apparently is prepared eventually to open additional points of entry near major commercial centers. Another problem, less likely to be resolved, is Thai army support for Laotian resistance activities.

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25X1  Conservative Thai politicians and military officers are concerned by Phichai's eagerness to establish relations with Hanoi. They blame the foreign ministry for the departure of all US troops and believe that Thailand has alienated its staunchest ally in exchange for an improvement in relations with Indochinese communist regimes that actively support Thai insurgents in the north and northeast. The police roundup of Vietnamese refugees in Bangkok on the eve of Phichai's trip is already being interpreted by the Bangkok press as an attempt by some rightists to sabotage the talks in Hanoi.

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[REDACTED]

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[REDACTED] The Vietnamese thus far have not insisted that Thailand return aircraft flown out of Saigon last year as a precondition to the establishment of diplomatic ties. Talks between the two sides broke down last year over this issue, and should it continue to be a sticking point, conservative opposition, particularly within the Thai military, could probably sidetrack the negotiations. If the Vietnamese are willing to ignore this issue, the Thai conservatives probably would not stand in the way of opening relations.

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[REDACTED] Moreover, Phichai would encounter even less conservative opposition if he can obtain some sign of Hanoi's intention in principle to repatriate some, if not all, of the Vietnamese refugees that have been living in Thailand since the late 1950s. [REDACTED]

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CHINA: Refuses Tin Council

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[REDACTED] Peking has informed the 30-member International Tin Council [REDACTED] that China will not participate in the five-year international agreement that became effective on July 1, 1976. Although not a surprise, China's announcement undoubtedly was a disappointment to such major producers as Malaysia who were seeking China's membership and hoping to gain some influence over Peking's tin exports.

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[REDACTED] Last year's exceptionally heavy selling by China ran counter to Council efforts to restrain tin supplies and arrest falling prices. China produces 8 percent of world tin output. If Peking joined, the Council would account for well over nine tenths of world tin production.

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[REDACTED]

GREECE-TURKEY: Aegean

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[REDACTED] The Turkish seismic research ship Sismik I entered the Aegean Sea yesterday accompanied by a naval escort, according to a Turkish radio broadcast. The naval escort seems primarily intended to counter domestic criticism that the Demirel government is not pressing its Aegean claims forcefully enough, although it also serves as a warning to the Greeks.

[REDACTED]

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[Redacted]

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[Redacted] //A Turkish official informed the US embassy that the ship will spend about ten days in Turkish territorial waters, surveying in and around Saros Bay before entering international waters near the Greek island of Samothrace, where it will operate until August 20. The extended stay of the Sismik I in Turkish territorial waters gives Turkey and Greece an opportunity to resume the negotiations that were broken off last week.//

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[Redacted] //Although both governments seem anxious to avoid a confrontation, they appear equally determined to avoid any moves that could weaken their claims in the Aegean or leave them vulnerable to attacks by domestic political opponents. The Caramanlis' government in Athens must also cope with the Greek military, which still is angry over the losses it suffered at the hands of the Turks on Cyprus. [Redacted]

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[Redacted]

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[Redacted] //Settlement of the controversy over the activities of the Sismik I may be difficult despite the relatively narrow differences still separating the two sides on the conditions for safe passage of the ship. Tensions are likely to increase if there are no new talks or if they fail and the Sismik sails into disputed waters with a naval escort.//

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[Redacted] //For the time being, the Greeks have responded to the Sismik's appearance in the Aegean by calling off the latest round of talks on Aegean air space rights set to be held this week in Paris and by stepping up efforts to monitor the Sismik's movements. According to the US defense attache in Athens, all Greek submarines put out to sea yesterday, and there are press reports that some units of the Greek navy are en route to patrol near the Greek islands off the Turkish coast. [Redacted]

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[Redacted]

[REDACTED]

MBFR-FRANCE: Force Data

25X1 [REDACTED] //The French have provided some insight into their decision not to include French forces in Western figures at the Vienna force reduction talks.//

25X1 [REDACTED] //Much of the French rationale is not new. They have long been concerned that the Western concept of collective reduction commitments over a given geographical area would impinge on France's ability to deploy its own forces.//

25X1 [REDACTED] //In the French view, inclusion of their forces in the Western data would undermine the French position of exempting their forces from any collective commitment.//

25X1 [REDACTED] //French officials now cite possible reductions in overall European armaments as an additional threat to their flexibility that reinforces their desire to avoid including the French forces in Western figures.//

25X1 [REDACTED] //Although the Allied offer to include the withdrawal of some US nuclear elements in its negotiating package was a one-time offer, the French believe that--in the long run--an MBFR agreement will include a collective limit for the Allies on nuclear armaments of the type reduced by the US.//

25X1 [REDACTED] //They object to such a restriction on the grounds that not only is it bad in itself but it also could be an obstacle to introducing French nuclear armaments into West Germany at some future time.//

25X1 [REDACTED] //The French say their decision not to include French forces in Western figures resulted from a conjunction of events. On the one hand, they share the Allied view that the negotiations may enter a more active phase now that the Soviets have tabled force data.//

25X1 [REDACTED] //Additionally, they imply that their move is intended to counter recent Soviet pressure on France to participate in the Vienna negotiations and to show more receptivity to Soviet disarmament initiatives.//

25X1 [REDACTED] //The French decision to withhold data on forces may thus be intended as an attempt by Paris to ensure its freedom of action regarding its deterrent force.//

[Redacted]

25X1 [Redacted] //Paris has proposed that--with French forces exempted from a common ceiling--the Soviets might be allowed to compensate for any increase in French forces by increasing the size of their own. The Allies are resisting this proposal.//

25X1 [Redacted] //The West Germans, who want to avoid unique limitations on their own forces, are particularly unhappy with it because they fear that any arrangement singling out French forces will make it difficult to resist Soviet demands for national reduction commitments. [Redacted]

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25X1 [Redacted]

ITALY: Monetary Reserves

25X1 [Redacted] Treasury Minister Colombo reported yesterday that since the June elections, Italy has increased its foreign currency reserves by \$1.12 billion through lira sales. In addition, the sales have enabled Italy to repay all of the \$500 million drawn on its swap facility with the Federal Reserve Bank of New York.

25X1 [Redacted] Major factors influencing the increase in reserves appear to be the Christian Democrats' retention of a plurality in last month's general election, the prior deposit scheme, and the normal influx of summer tourists. An expected extension of the amnesty permitting the return of capital illegally exported is also likely to encourage the return of funds.

25X1 [Redacted] The import deposit plan has absorbed liquidity and stabilized the exchange rate. The scheme, which requires a 50-percent non-interest-bearing deposit on most foreign purchases, has been extended three months. The high interest rates in Italy have also helped the lira.

25X1 [Redacted] The exchange market intervention that has accompanied the reserve increases has kept the lira, which closed at 835.3 to the dollar yesterday, remarkably stable since the elections. In the last week, the Italian currency has not varied by more than one lira from the 834.5 to the dollar rate; nor has it varied from the 835 to 840 range since the beginning of July. Italian authorities have intervened in order to obtain reserves and to avoid greater lira appreciation that could hurt exports.

25X1 [Redacted]



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[redacted] The lira still faces an uncertain future. The \$2 billion gold-backed credit granted by West Germany is due in September. While no decision on repayment has been made, Italy may pay back \$200 to \$500 million in order to make it easier to renegotiate the loan and to avoid having to pledge more of its gold reserves as collateral to counter the fall in gold prices. A plan under which all or part of the loan could be renegotiated will not be discussed until an Italian government has been formed.

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[redacted] The lira's prospects will be clouded by uncertainties over the durability and economic programs of the next government, as well as by the high rate of inflation. Italy's consumer price inflation, currently at a 20-22 percent annual rate, is more than double the average rate of its major trading partners. [redacted]

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POLAND: Meat Prices

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[redacted] A top Polish party official told the US ambassador on Wednesday that Warsaw will not raise meat prices this year. Prime Minister Jaroszewicz proposed two weeks ago a compromise price package in which meat prices would go up 35 percent this year while other food prices would remain unchanged.

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[redacted] //This new postponement of badly needed price increases shows the regime's lack of resolution and fear of the Polish consumer since the June riots. It confirms an earlier report that the disorders had caused depression, defensiveness, and loss of self-confidence in the leadership.//

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[redacted] The party official admitted that the postponement will hurt the economy. He said that meat exports, a good source of hard currency, have been cut. He said that Poland will have to import approximately 100 thousand tons of meat this year, adding that some of this would come from China.

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[redacted] The official indicated that Poland expects to import considerable quantities of wheat from the USSR and some from the US. The USSR normally ships 1 to 2 million tons of grain to Poland each year, but last August Moscow suspended shipments because of its own poor harvest. [redacted]

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FTAI: New President

25X1 [redacted] The legislative assembly of the French Territory of the Afars and Issas yesterday elected Abdella Khamil Mohamed as the new president of the local government. Ali Aref Bourhan, the former president, resigned two weeks ago after losing the support of a majority of the assembly's members.

25X1 [redacted] Khamil, an Afar who has been the secretary of the territory's governing council until recently under Ali Aref, was elected by only 24 of the assembly's 40 deputies. According to press reports, the others walked out in protest over Khamil's nomination.

25X1 [redacted] Most of them are Afars and members of Khamil's own political party, but they may believe Khamil is too closely identified with the policies of the discredited Aref. Khamil's lack of support is apparently not related to the traditional animosity between the territory's two major ethnic groups, the Afars and the Issas.

25X1 [redacted] The divisiveness demonstrated in the assembly indicates France still faces serious obstacles in its efforts to form a government of national unity to lead the FTAI to independence. A referendum on independence will probably be held in March.

25X1 [redacted] France viewed the resignation of the unpopular Aref and the election of a new leader as the first steps toward the creation of a broad-based coalition government that Paris believes is necessary to withstand pressure from Somalia, aided by its supporters in the territory, to incorporate the territory.

25X1 [redacted]

USSR-ROMANIA: Soviet Economic Aid

25X1 [redacted] The US embassy in Moscow believes that the Romanians may be asking the Soviets for more economic support, particularly supplies of crude oil and other raw materials. If the Soviets ignore the requests, the surface calm that currently marks Romanian-Soviet relations could be disrupted.

25X1 [redacted]

[REDACTED]

25X1

[REDACTED] The embassy says that the Romanians probably pressed for a "better deal" at a recent session of the joint Romanian-Soviet economic commission in Moscow. Such an overture is consistent with Bucharest's persistent demand that CEMA concentrate on equalizing the economic development of its members.

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[REDACTED] The Romanian economy, like others in Eastern Europe, has felt the pinch of increased Soviet prices for raw materials. Moreover, the growth in Romania's domestic consumption of oil has already outstripped the annual increase in production; in the past, Moscow has rejected Bucharest's requests for Soviet crude.

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[REDACTED] The Romanians lack coking coal and iron ore, and depend heavily on the Soviets to supply these minerals.

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[REDACTED] It is unlikely that Moscow will provide increased aid to Romania unless it obtains significant political concessions. There is no evidence that Ceausescu intends to alter his regime's independent ways. [REDACTED]

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